

1. Emailed survey respondents who initially commented on the POS program requesting more detail.
2. Met with select regional managers and sales.
3. Interviewed Raleigh warehouse manager to get perspective on the delivery and distribution of the POS to the other regions and to the individual sales representatives.
4. Visited several lottery retailers and solicited input from store managers regarding what might work better for their specific store(s).

The results of the investigation are summarized below:

- **Timeliness of delivery:** Late delivery of POS is very infrequent. The regional managers expressed little concern for the issue and felt the infrequent delays were manageable.
- **Waste due to quantities:** Most POS is produced to provide for coverage in all stores plus safety stock. The refusal of some corporate accounts to allow the placement of certain pieces will lead to extra inventory. If this additional inventory is not distributed as extra pieces for the other retailers then eventually it is discarded at the end of the game. Some sales representatives said they discard 10 to 20 POS pieces after each game. However, unused POS is discarded by the representatives without being inventoried, so the extent of the waste on a statewide basis is unknown.
- **Usability of POS pieces:** Although the NCEL produces POS pieces that are usable in most locations, corporate guidelines at some retail locations prevent the placement of many, if not all, of the POS pieces produced for a game.

### Cost Analysis and Program Efficiency Summary

The Cost Analysis and Program Efficiency Study revealed that the NCEL has done well containing costs as sales and profits have increased. Retailer commissions and product costs have stayed relatively consistent as a percentage of sales—increasing slightly from 8.61% in FY 2007 to 8.64% in FY 2010. The slight increase was attributable to incentives paid to retailers who sold high tier winning tickets.

Given the high return on advertising investment, the NCEL consistently spends as close to 1% of sales (the maximum allowed by statute) as possible to maximize the profits available for educational programs. As discussed in the Performance Report, the NCEL generated an additional \$16.48 of profit for each new dollar spent on advertising and marketing in FY 2010.

Personnel costs have decreased from 3.0% of gaming revenue in FY 2007 to 2.6% in FY 2010; operating expenses have decreased from 1.55% of gaming revenue in FY 2007 to 1.10% in FY 2010. These decreases have been generated by an increase in the gaming revenue per employee increasing from \$1.9 million to \$2.6 million.